



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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Southern California Edison Company's  
Application For Approval of Embedded  
Energy Efficiency Pilot Programs for  
2007-2008.

Application 07-01-024  
(Filed January 16, 2007)

Application of Pacific Gas and Electric  
Company Seeking Approval of Water-  
Embedded Energy Savings Pilot Program  
(U 39 M)

Application 07-01-026  
(Filed January 16, 2007)

San Diego Gas & Electric Company (U-  
902-E) for Approval of Energy & Water  
Efficiency Partnership and Budget for Years  
2007 Through 2008.

Application 07-01-029  
(Filed January 16, 2007)

Southern California Gas Company  
(U-904-G) for Approval of Energy & Water  
Efficiency Partnership and Budget for Years  
2007 Through 2008.

Application 07-01-030  
(Filed January 16, 2007)

## **PREHEARING CONFERENCE STATEMENT OF THE DIVISION OF RATEPAYER ADVOCATES**

### **I. INTRODUCTION**

In compliance with the Chief Administrative Law Judge's (ALJ) January 19, 2007 ruling, the Division of Ratepayer Advocates (DRA) submits the following statement in advance of the prehearing conference scheduled for January 30. The Chief ALJ ruling consolidated applications filed January 16, 2007 by Southern California Edison Company (A.07-01-024), Pacific Gas and Electric Company (A.07-01-026), San Diego Gas and

Electric Company (A.07-01-029) and Southern California Gas Company (A.07-01-30).<sup>1</sup> The four Applications proposed pilot programs in response to the October 16, 2006 assigned commissioner's ruling (ACR) issued in Rulemaking (R.) 06-04-010, which directed the utilities to explore the potential for future programs to capture water-related embedded energy savings.

DRA will discuss its specific concerns with the four pilot proposal applications in the protest currently due on February 16, 2007, but notes that many aspects of the current proposals fail to address adequately fundamental questions about the connection between saving water and saving embedded energy, including exactly where energy savings will occur and the total cost of achieving savings. Glossing over these basic issues will hinder progress toward the goal of exploring the potential for future programs to capture water-related embedded energy. DRA believes that significant strides can be made to improve the pilot proposals by the Commission issuing a ruling that 1) further clarifies the desired pilot objectives and outcomes; and 2) sets a schedule for the water-efficiency phase that provides a process for adequately vetting pilot proposals.

These steps will be crucial to developing the most appropriate pilot program design prior to implementation. Without ensuring the best program design for producing needed outcomes, it will be difficult if not impossible to evaluate water efficiency programs for potential inclusion in future Energy Efficiency portfolios. Accordingly, DRA offers the following recommendations to aid in refining proposals to become more effective pilot programs.

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<sup>1</sup> For purposes of this prehearing conference statement, DRA will refer to the four applicants collectively as "utilities" or "IOUs" (investor owned utilities).

## II. DISCUSSION

### A. The CPUC should Issue a Ruling that further clarifies the goals and information required for water efficiency pilot projects.

#### 1. Define Pilot Objectives

The October 16, 2006 ACR stated:

“Each utility should form a partnership with one large water provider to implement a jointly-funded program designed to **maximize embedded energy savings per dollar of program cost.**” (emphasis added.)<sup>2</sup>

The lack of detail and analysis in many aspects of the Applications makes it difficult to react to the proposals other than to ask clarifying questions. Some of the pilot programs seem to be designed around conserving water, rather than the primary goal of saving energy<sup>3</sup>. Some of the Applications refer to saving “statewide” energy,<sup>4</sup> which appears to mean that the programs would fund and count energy savings that occur outside of their ratepayer territory.

Some of the partner pilot proposals seem to have prioritized expedience over good program design that would produce the outcomes needed for planning future energy efficiency portfolios. Hence, they recommend expansion of water efficiency programs (such as High Efficiency Toilets) that are already in place and ready to roll-out. Yet the proposals provide no analysis supporting why the proposed water efficiency programs are likely to be most cost-effective methods of reducing energy consumption in the service territory, given that a majority, if any, of the energy saved along the conveyance path

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<sup>2</sup> October 16, 2006 ACR in R.06-04-010, p. 3.

<sup>3</sup> High Efficiency Toilet program, Testimony of Southern California Edison (SCE), p. 10; Lake Arrowhead Water Conservation program, Testimony of SCE, p. 12; High Efficiency Toilet Replacement program, Testimony of Mark Gaines, Southern California Gas Company (SCG), p. 2; High Efficiency Toilet program, Testimony of Mark Gaines, San Diego Gas & Electric Company (SDG&E), p. 2.

<sup>4</sup> Testimony of Mark Gaines, (SCG), p. 9 ; Testimony of Mark Gaines, SDG&E, p. 14.

may not be saved in the utility's service territory. Accordingly, using off-the-shelf water efficiency programs may be convenient, but may not provide the data results that the pilots need in order to inform portfolio planning for the 2009-2011 program cycle. Program design should instead start from the perspective of identifying energy intensive water programs within the service territory that can currently be measured.

Based on the concerns as outline above, DRA requests the issuance of an additional ruling that clarifies pilot objectives and information that must be included in the proposals, which can be further refined in a workshop process that results in revised pilot program proposals.

## **2. Information that should be included in the Pilot proposals**

The proposed pilot programs should include the following objectives and program outcomes:

- Programs should be designed around maximizing energy savings within the IOU territory;
- Proposals should identify potential energy savings from each program incurred within the IOU service territory vs. outside the service territory;
- IOUs should work together to determine a statewide water efficiency program cost-effectiveness methodology that produces results that are comparable to current energy efficiency programs that should factor-in total pilot budget (energy and water companies) against savings achieved in the utility's territory (this is unclear in the current proposals that illustrate energy budgets but not always water budgets and do not show where savings are earned);
- A mechanism for measuring avoided cost should be determined as part of the pilot's cost-effectiveness outcomes;
- A mechanism for demonstrating Time of Use (TOU), comparing water and energy usage should be determined as part of pilot outcomes;

- An analysis of water systems used in the pilot and where the savings are captured and how they are measured as well as any ramifications of changing water use patterns;
- An analysis of ratepayer benefits / costs and any risk to ratepayers;
- Evaluation, Measurement and Verification (EM&V) should be developed in consultation with Energy Division (ED) and actual verification should be administered by ED; and
- Other outcomes as deemed relevant based on workshop input and any follow-up Commission ruling.

In order to understand the proposal content, the IOUs will need to disaggregate data and describe how certain assumptions were determined, including:

- Inclusion of partner budget contribution as part of budget table
- Net-out service territory savings from “statewide” savings
- Some preliminary cost-effectiveness should be demonstrated clarifying how the \$/kilowatt hour (KWh) is determined, that is based on full partnership budgets and IOU service territory energy savings
- Define a program proportion and guidelines for how Low Income Energy Efficiency (LIEE) should be incorporated into this pilot

**B. The Commission should set a schedule that allows for adequate party participation and vetting of proposals.**

The Chief ALJ ruling requests that parties submit recommendations for workshop and schedule:

“Parties interested in pursuing the option should bring to the prehearing conference their suggestions as to topics, schedule, and location for any such workshops.”<sup>5</sup>

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<sup>5</sup> January 19, 2007 Chief ALJ Ruling, p. 2.

DRA recommends the following schedule:

**February 5 – Issuance of clarifying ruling**

In order to refine the proposals to a better starting point that result in the correct outcomes needed for EE portfolio planning.

**February 16 – Protests Due to Pilot Proposal<sup>6</sup>**

**February 26 – Reply to Protests Due**

**Week of February 26** – Joint Staff performs a technical review and analysis of proposals and party comments in the context of pilot objectives using an expert consultant, comparable to Techmarket Works review of the 2006-2008 energy efficiency portfolios, that results in a document circulated to parties in advance of the workshops (review may shape workshop format)

**March 12 – Workshops Convened**

The Commission should convene a series of workshops, run by Energy Division, after comments on proposals have been submitted and Joint Staff's review has been issued. Workshops should address, at a minimum:

- Water Conveyance System: Demonstrate exactly where IOU savings occur along the water conveyance path and in the IOU service territory. Work with parties to re-work pilot to focus program energy savings within the IOU service territory.
- Pilot Design: Provide rationale for program design that meets program objectives and needed outcomes for planning. Provide analysis of benefits to ratepayers as well as costs/risks.
- Cost-effectiveness methodology: how will this be approached and what should be factored-in and expected for outcomes
- EM&V Process: Demonstrate methodology for measurement of energy savings. Vet suggested EM&V advisory group process with parties.

Workshop topics should be in depth and scheduled for adequate time to address all issues.

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<sup>6</sup> DRA understands that TURN has proposed suspending the date for protests to the Applications until after the utilities supplement their Applications and revise their proposals. DRA would support such an approach. Even if the Commission elects not to suspend the deadline for filing protests, it should allow intervenors the opportunity to submit additional comments on revised pilot programs submitted by the utilities.

### **March 23– Post Workshop Comments**

Parties would have a week to submit comments after workshop process. IOUs should begin revision of pilot proposals based upon Commission Ruling and Workshop input. Joint Staff and Expert Consultant reviews workshop input and post-workshop comments to give direction to the IOUs for updating their pilot proposals.

### **March 30 – Commission issues a ruling on outcome from workshop and post-workshop comments based on Joint Staff analysis**

IOUs revise pilot proposals consistent with Commission guidance.

### **April 20 – IOUs submit revised proposals review to the Commission, which should go through another Joint Staff and Consultant**

### **May 11 – Commission issue Proposed Decision**

### **May 25 – Opening Comments**

### **June 8 – Reply Comments**

### **June 15 – Commission Decision – IOUs make changes as needed**

### **July 1 – Pilot Implementation begins**

## **III. CONCLUSION**

The Commission’s goal of examining and funding cost-effective strategies for reducing energy use by reducing water use depends on accurate information about exactly where energy savings occur and the total cost of achieving those savings. Pilot programs that do not clearly examine potential savings within the funding utility’s service territory, and the total cost of achieving those savings, will not further progress toward the Commission’s goals. DRA therefore respectfully requests that the Commission provide further direction to the utilities regarding requirements for the pilot programs, as described above, and set a workshop schedule that will permit examination of related issues.

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Respectfully submitted,

/s/     DIANA L. LEE

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January 29, 2007

**CERTIFICATE OF SERVICE**

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**“PREHEARING CONFERENCE STATEMENT OF THE DIVISION OF  
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Executed on January 29, 2007, at San Francisco, California.

/s/ Nelly Sarmiento

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Nelly Sarmiento

**N O T I C E**

Parties should notify the Process Office, Public Utilities  
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